

**CONWAY SCHOOL DISTRICT No. 317**  
**Skagit County, Washington**  
**September 1, 1990 Through August 31, 1992**

---

**Schedule Of Findings**

---

1. Payroll Charges To Federal Programs Should Comply With Federal Regulations

Payroll expenditures for fiscal years 1991 and 1992 charged to the Department of Education's ECIA Chapter 1 Remediation program (CFDA 84.010) did not comply with federal regulations. Charges to federal programs are processed through the school districts' accounts payable and payroll systems. Our testing of charges through these systems included identification of the source, and determination of whether the payroll costs charged to federal programs represented time actually spent on federal program activities. Payroll costs charged to the Chapter 1 program for fiscal year 1991 were not supported by adequate time distribution records that accounted for total employee time and the portion of the employees' time spent on allowable Chapter 1 activities. Payroll costs charged to Chapter 1 for fiscal year 1992 were agreed to an after-the-fact distribution of employee time which had been signed by the employee and supervisor. However, for the reports tested we noted numerous unsupported changes to the reports. Because of these unsupported changes we question the reliability of the time and effort reporting system.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, establishes standards for documentation and allowability of costs charged to federal grant programs. Among these standards are:

- a. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees.
- b. Salaries and wages of employees chargeable to more than one grant program or other cost objective must be supported by appropriate time distribution records.

In the absence of a system that meets the federal requirements, salary and benefits charged to federal programs cannot be supported by after-the-fact documentation of time actually spent on activities allowable for federal programs. This lack of adequate documentation could result in payroll costs being charged to federal programs which varies from resources that were actually dedicated to that program.

The absence of reliable time and effort reports has resulted in questioned costs of \$20,957.72 for all salary and benefits charged to Federal ECIA Chapter 1 Remediation for fiscal year 1991, and questioned costs of \$18,226.65 for all salary and benefits for Federal ECIA Chapter 1 Remediation for fiscal year 1992.

We recommend the district implement a time reporting system that complies with OMB Circular A-87 for all federal programs that are charged through payroll.